

# EXHIBIT “A”

Harleysville Mutual Insurance Company  
355 Maple Avenue  
Harleysville, PA 19438-2297  
www.harleysvillegroup.com



Named Insured:

THE HAMMOCKS LLC DBA  
RICHMOND HILL INN  
C/O DR WILLIAM GRAY  
87 RICHMOND HILL DRIVE  
ASHEVILLE NC 28806-3912

## COMMERCIAL OUTPUT POLICY OF 3M2977

Account 3M2977  
Policy Term 10/19/08 to 10/19/09  
12:01 A.M. Standard Time  
Issue Date 10/24/08  
Reason for Issue New Policy

For assistance please contact your agent  
WHITE INSURANCE AGENCY INC  
at 828-669-7912

(Agent Code 32-9597)

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Type Of Entity: Limited Liability Company  
Business Description: Hotel

In return for the payment of the premium and subject to all the terms of this policy, we agree to provide the insurance as stated in this policy. If you request cancellation of this policy, there is a minimum premium retention of \$0.

This policy consists of the following coverage part(s). The premium may be subject to adjustment.

Commercial Property

	Annual Premium
	\$31,784.00
Total:	\$31,784.00

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**THE HAMMOCKS LLC DBA**

**SCHEDULE OF LOCATIONS/PREMISES**

This schedule is for address information only. Refer to attached coverage part(s) to determine application of coverage.

Loc No	Location Description
001 87 Richmond Hill Drive	Asheville NC 28806
002 88 Richmond Hill Drive	Asheville NC 28806
003 86 Richmond Hill Drive	Asheville NC 28806

**FORMS AND ENDORSEMENTS**

The following are applicable to all coverage parts:

Number	Edition	Title
*PJ0001	0205	Policy Jacket
*IL7123	0498	Exclusion of Certain Computer-Related Losses

The following material contains important information. Please read it carefully.

*ST7555	1104	Important Notice To Policyholders
*ST7647	0107	Flood and Earth Movement Losses Not Covered
		Advisory Notice To Policyholders
*Z887	1299	Direct Claims Reporting Saves You Time and Money!

\* All forms are attached.

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**COINSURANCE CONTRACT**

**Commercial Property Coverage Part**  
Coverage part effective date: 10/19/08  
**SCHEDULE OF COVERAGES**

Description of Coverages	Limit of Insurance
Building Property and Business Personal Property Coverages**	
Blanket Building	\$11,740,000
Per schedule on file with "us"	
at the inception of the policy	
Agreed value \$5,089,119	
Applies only to loc 001 Bldg 001 Building	
Agreed value \$173,732	
Applies only to loc 001 Bldg 002 Building	
Agreed value \$210,912	
Applies only to loc 001 Bldg 003 Building,	
Loc 001 Bldg 004 Building, Loc 001 Bldg 005 Building,	
Loc 001 Bldg 006 Building	
Agreed value \$747,400	
Applies only to loc 001 Bldg 007 Building	
Agreed value \$4,210,101	
Applies only to loc 001 Bldg 008 Building	
Agreed value \$338,000	
Applies only to loc 002 Bldg 001 Building,	
Loc 003 Bldg 001 Building	
Deductible: \$10,000	
Blanket Business Personal Property	\$1,500,000
Per schedule on file with "us"	
at the inception of the policy	
Agreed value \$1,500,000	
Deductible: \$10,000	
Time Element Coverages	
Blanket Total Income Coverage	\$3,000,000
Earnings, Rents and Extra Expense	
Other Coverages and Endorsements	
Refer to Schedule of Coverages Form	

**SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS**  
Limited Fungus and Related Perils Schedule -

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Property Covered/Limit or # of Days

PROPERTY COVERAGE EXTENSION  
LIMITED FUNGUS AND RELATED PERILS  
PROPERTY COVERAGE  
THE MOST WE PAY FOR ALL LOSSES AT ALL COVERED  
LOCATIONS IS: \$15,000  
INCOME COVERAGE EXTENSION  
LIMITED FUNGUS AND RELATED PERILS  
INCOME COVERAGE  
TIME LIMITATION: 30 DAYS

Limited Fungus and Related Perils Schedule -

Property Covered/Limit or # of Days

PROPERTY COVERAGE EXTENSION  
LIMITED FUNGUS AND RELATED PERILS  
PROPERTY COVERAGE  
THE MOST WE PAY FOR ALL LOSSES AT ALL COVERED  
LOCATIONS IS: \$15,000  
INCOME COVERAGE EXTENSION  
LIMITED FUNGUS AND RELATED PERILS  
INCOME COVERAGE  
TIME LIMITATION: 30 DAYS

Stated Value Endorsement

LOC	BLDG	COVERED PROPERTY	LIMIT
001	001	Building	\$5,089,119
001	001	"YBPP"	\$1,500,000
001	002	Building	\$173,732
001	003	Building	\$210,912
001	004	Building	\$210,912
001	005	Building	\$210,912
001	006	Building	\$210,912
001	007	Building	\$747,400
001	008	Building	\$4,210,101
002	001	Building	\$338,000
003	001	Building	\$338,000

Additional definitions: "YBPP" = Blanket Business Personal Property;  
"Bus-Inc" = income and extra expense; "extra-exp" = extra expense.  
"Business" = Blanket Building.

SCHEDULE OF FORMS AND ENDORSEMENTS

Number	Edition	Title
*CL0100	0399	Common Policy Conditions
*CL0158	0101	Amendatory Endorsement - North Carolina
*CL0304	0101	Flood Insurance Notice
*CL0600	0108	Certified Terrorism Loss
*CL0605	0108	Certified Terrorism Loss Disclosure Of Premium And Federal Share Of Insured Losses
*COP7104	0306	Equipment Breakdown Coverage Part

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*COP7113	0306 Commercial Output Property Endorsement
*COP7117	0306 Schedule Of Coverages - Commercial Output Program
*COP7119	0205 Commercial Output Amendatory Endorsement
*C00315	0402 Amendatory Endorsement - North Carolina
*C01000	1002 Commercial Output Program Property Coverage Part
*C01001	0402 Commercial Output Program Income Coverage Part
*C01006	0402 Crime Coverage Part - Employee Fraud and Dishonesty Money and Securities
*C01080	1103 Limited Fungus and Related Perils Schedule - Blanket Limit
*C01082	1103 Limited Fungus and Related Perils Schedule - Blanket Limit - Equipment Breakdown
*C01254	0402 Stated Value Endorsement
*C01281	0402 Waiting Period - Income Coverage
*C01293	1103 Limited Fungus and Related Perils Coverage
*C01294	1103 Limited Fungus and Related Perils Coverage - Equipment Breakdown

\* All forms are attached. Retain unless deleted or replaced.

Harleysville  
Mutual  
Insurance  
Company



This policy jacket with the policy provisions, declarations or information page, and endorsements, if any, completes this policy.

We will provide insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

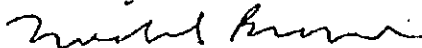
#### **Mutual Conditions**

This policy is non-assessable. Upon acceptance of this policy, the insured becomes a member of the Company but such membership shall terminate if and when the policy of insurance shall be terminated, without renewal, for any reason whatsoever. The insured shall participate in the distribution of dividends to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provision of law.

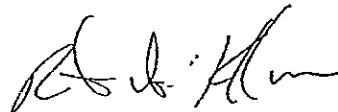
#### **Annual Meeting**

As a member of the Company the insured is entitled to vote either in person or by proxy at any and all meetings of the said Company. The Annual Meeting is held in the Company's home office, Harleysville, Pennsylvania on the fourth Wednesday of April in each year at 11:00 o'clock a.m. The inclusion of this notice in this policy shall constitute notice of the time and place of the Annual Meeting.

In Witness Whereof, the Company has caused this policy to be executed and attested.



*Michael L. Browne*  
President & Chief Executive Officer



*Robert A. Kauffman*  
Secretary



This endorsement applies to all coverages provided by the following including all forms and endorsements attached thereto:

BOILER AND MACHINERY COVERAGE PART  
COMMERCIAL CRIME COVERAGE PART  
COMMERCIAL INLAND MARINE COVERAGE PART  
COMMERCIAL OUTPUT PROGRAM  
COMMERCIAL PROPERTY COVERAGE PART  
COMPUPAK POLICY

IL-7123  
(Ed. 4-98)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

### EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

A. We will not pay for loss ("loss") or damage caused directly or indirectly by the following. Such loss ("loss") or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss ("loss") or damage.

1. The failure, malfunction, inability or inadequacy of:

a. Any of the following, whether belonging to any insured or to others:

- (1) Computer hardware, including microprocessors;
- (2) Computer application software;
- (3) Computer operating systems and related software;
- (4) Computer networks;
- (5) Microprocessors (computer chips) not part of any computer system;
- (6) Telecommunications equipment; or
- (7) Any other computerized or electronic equipment or components; or

b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph A.1.a. of this endorsement;

which is in any way related to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph A.1. of this endorsement.

B. If your policy includes the following coverages and an excluded loss ("loss") as described in Paragraph A. of this endorsement results in:

1. A Covered Cause of Loss as defined under your Boiler and Machinery Coverage Part or Commercial Crime Coverage Part, we will only pay for the loss ("loss") or damage caused by such Covered Cause of Loss;
2. A Covered Cause of Loss as defined under your Systems Breakdown Endorsement, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;
3. A covered "accident" as defined under an Equipment Breakdown Coverage Endorsement, we will pay only for the loss ("loss") or damage caused by such covered "accident";
4. A "Specified Cause of Loss" as defined, or in elevator collision resulting from mechanical breakdown, under the Causes of Loss - Special Form of your Commercial Property Coverage Part, we will pay only for the loss ("loss") or damage caused by such "Specified Cause of Loss" or elevator collision;
5. A Covered Cause of Loss as defined under the Causes of Loss - Basic Form or the Causes of Loss - Broad Form of your Commercial Property Coverage Part, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;

6. A "Specified Peril" as defined, or in elevator collision resulting from mechanical breakdown, under the Property Coverage Part of your Commercial Output Policy, we will pay only for the loss ("loss") or damage caused by such "Specified Peril" or elevator collision;

7. Any of the following causes of loss under your Commercial Inland Marine Coverage Part or CompuPak Policy, we will pay only for the loss ("loss") or damage caused by the following causes of loss:

Fire; lightning; explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage; or elevator collision resulting from mechanical breakdown.

a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. It does not include the cost of filling sinkholes.

b. Falling objects does not include loss ("loss") or damage to:

- (1) Personal property in the open; or
- (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

We will pay for resulting or ensuing loss ("loss") under Paragraph B. of this endorsement only if the resulting or ensuing loss ("loss") is physical injury to tangible property.

C. We will not pay for repair, replacement or modification of any items in Paragraphs A.1.a. and A.1.b. of this endorsement to correct any deficiencies or change any features.

D. This endorsement applies to all coverages provided by this Coverage Part including all forms and endorsements attached thereto.

## IMPORTANT NOTICE TO POLICYHOLDERS

### Do you have enough insurance on your building?

If your commercial building were damaged or worse, destroyed, would your insurance limit be sufficient to fully repair or rebuild the structure?

When you consider the ever rising costs of labor, construction materials and supplies, the impact of overall inflation, and the value of any improvements you've made to your property, it's quite possible your level of coverage is no longer adequate.

### It is *your* responsibility to insure to value.

While Harleysville's insurance products offer comprehensive protection for business owners, if your property is insured at less than 100 percent of its replacement cost (or, where applicable, actual cash value), you assume the risk of not being fully insured if you have a loss.

To make certain your building coverage limits are - *and remain* - adequate, we strongly encourage you to review your coverage with your agent. You also should consider obtaining an appraisal or an estimate from a contractor annually, or as needed.

We appreciate the opportunity to insure your property, and look forward to continuing our partnership with your business and your independent Harleysville Insurance agent to protect your interests *fully*.

**Note:** In the event of a claim, Harleysville Insurance reserves all of its rights under the policy to make its own independent determination of replacement cost or actual cash value in applying the co-insurance provisions of the policy.

## **FLOOD AND EARTH MOVEMENT LOSSES NOT COVERED ADVISORY NOTICE TO POLICYHOLDERS**

THE FOLLOWING WARNING IS PROVIDED IN ACCORDANCE WITH  
NORTH CAROLINA LAW.

WARNING: THIS PROPERTY INSURANCE POLICY DOES NOT  
PROTECT YOU AGAINST LOSSES FROM FLOODS,  
EARTHQUAKES, MUDSLIDES, MUDFLOWS, OR LANDSLIDES.  
YOU SHOULD CONTACT YOUR INSURANCE COMPANY OR  
AGENT TO DISCUSS YOUR OPTIONS FOR OBTAINING  
COVERAGE FOR THESE LOSSES. THIS IS NOT A COMPLETE  
LISTING OF ALL OF THE CAUSES OF LOSSES NOT COVERED  
UNDER YOUR POLICY. YOU SHOULD READ YOUR ENTIRE  
POLICY TO UNDERSTAND WHAT IS COVERED AND WHAT IS NOT  
COVERED.



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## **New Reporting Options:**

**Direct Claims Reporting Saves You Time**

**1-800-892-8877**

**Call us to report a claim 24 hours a day – 7 days a week**

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While we hope you never suffer a loss, you can rest assured that your claim will get immediate and professional attention. With our 24-hour service, you can file your claims directly with us any time, including after normal business hours and holidays.

Whether your loss involves your home, your vehicle, your personal belongings, your boat, your business or glass breakage, just call 1-800-892-8877 to report the claim. Our courteous, professional staff will start all the necessary paperwork as soon as you call. We will ask you for essential information to help determine the extent of your loss, and within minutes, we can assign a claim number to your loss and advise you on the handling process.

### **Direct reporting benefits you directly**

#### **24-hour service**

To make it easy for you to report your loss promptly, we're available every day of the year – day and night.

#### **Immediate, personal assistance**

With direct reporting, you will be immediately connected to a knowledgeable person who understands your situation.

#### **You save time**

When you phone in your claim, there's no need to complete a written report. We'll handle the paperwork for you.

#### **Your satisfaction guaranteed**

If your vehicle has been damaged, we can offer your participation in our Preferred Repair Program. If you choose one of the quality repair shops offered, you won't have to wait for an appraiser's inspection or for your check. Repairs are fully guaranteed and we pay for the repairs directly, but only after you tell us you're completely satisfied.

If your home or business has been damaged, we can offer you participation in our Approved Contractor Program. Not only will the quality contractor promptly prepare an estimate of damages for your review, but, at your option, will perform the repairs for the amount agreed upon in the estimate. These repairs are fully guaranteed for a period of one year.

Harleysville-Atlantic Insurance Company  
Harleysville-Garden State Insurance Company  
Harleysville Insurance Company  
Harleysville Insurance Company of New Jersey

Harleysville Insurance Company of New York  
Harleysville Insurance Company of Ohio  
Harleysville Lake States Insurance Company  
Harleysville Life Insurance Company

Harleysville Mutual Insurance Company  
Harleysville Pennland Insurance Company  
Harleysville Preferred Insurance Company  
Harleysville Worcester Insurance Company

**You get free mobile service for windshield repair**

If you report a broken windshield or other auto glass damage, we'll arrange for one of our glass specialists to assess your vehicle. You may have the repairs or replacement performed at one of our hundreds of conveniently located glass shops or, if you prefer, our mobile service will come to your driveway, office parking lot, or any other place you designate to do the work on the spot. It couldn't be simpler and, except for any deductibles that may apply, there's no charge to you.

**We'll help you prevent further damage**

Whether you've suffered a loss to your vehicle, home, business or boat, we can advise you of the proper steps to minimize your loss and protect your property from further damage.

**We'll assure quality medical care**

If you're reporting a workers compensation claim, our early intervention program helps ensure that your employee is treated by a physician committed to quality care and to getting your employee back to work as soon as possible.

**TO HELP YOU KEEP OUR CLAIMS NUMBERS WITHIN EASY REACH, WE'VE ENCLOSED TWO WALLET CARDS AND TWO STICKERS FOR YOUR IMMEDIATE USE. (SIMPLY DETACH THE CARDS AND PEEL OFF THE LABELS.)**

**Direct Claims Reporting:  
1-800-892-8877  
24 hours a day, 7 days a week**

**or**

**If you do not wish to utilize our Direct Claims Reporting,  
you may call your professional independent agent.**

## COMMON POLICY CONDITIONS

1. **Assignment** – This policy may not be assigned without "our" written consent.

2. **Cancellation** – "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating at what future date coverage is to stop.

"We" may cancel this policy, or one or more of its parts, by written notice sent to "you" at "your" last mailing address known to "us". If notice of cancellation is mailed, proof of mailing will be sufficient proof of notice.

If "we" cancel this policy for nonpayment of premium, "we" will give "you" notice at least ten days before the cancellation is effective. If "we" cancel this policy for any other reason, "we" will give "you" notice at least 30 days in advance of cancellation. The notice will state the time that the cancellation is to take effect.

"Your" return premium, if any, will be calculated according to "our" rules. It will be refunded to "you" with the cancellation notice or within a reasonable time. Payment or tender of the unearned premium is not a condition of cancellation.

3. **Change, Modification, or Waiver of Policy Terms** – A waiver or change of the "terms" of this policy must be issued by "us" in writing to be valid.

4. **Inspections** – "We" have the right, but are not obligated, to inspect "your" property and operations at any time. This inspection may be made by "us" or may be made on "our" behalf. An inspection or its resulting advice or report does not warrant that "your" property or operations are safe, healthful, or in compliance with laws, rules, or regulations. Inspections or reports are for "our" benefit only.

5. **Examination of Books and Records** – "We" may examine and audit "your" books and records that relate to this policy during the policy period and within three years after the policy has expired.

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### AMENDATORY ENDORSEMENT NORTH CAROLINA

1. Under Common Policy Conditions, Cancellation is deleted and replaced by the following:

**Cancellation** – "You" may cancel this policy by returning the policy to "us" or by giving "us" written notice and stating at what future date coverage is to stop.

"We" may cancel this policy or one or more of its parts by written notice to "you". The notice will be sent to the addresses shown in the policy or, if not indicated in the policy, to the last addresses known to "us". "We" will also send a notice to any mortgagee, loss payee, and agent or broker of record.

The notice will state the precise reason for cancellation and the time cancellation is to take effect. Proof of mailing will be sufficient proof of notice.

If this policy has been in effect less than 60 days, "we" may cancel for any reason.

If the policy has been in effect for 60 days or more, or if it is a renewal policy issued by "us", "we" may cancel this policy only on the anniversary date, or if one or more of the following reasons apply:

- a. nonpayment of premium in accordance with the policy "terms";
- b. an act or omission by "you" or "your" representative that constitutes material misrepresentation or nondisclosure of a material fact in obtaining the policy, continuing the policy, or presenting a claim under the policy;
- c. increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time of assumption of risk;

- d. substantial breach of contractual duties, conditions, or warranties that materially affect the insurability of the risk;
- e. a fraudulent act against "us" by "you" or "your" representative that materially affects the insurability of the risk;
- f. willful failure by "you" or "your" representative to institute reasonable loss control measures that materially affect the insurability of the risk after written notice by "us";
- g. loss of facultative reinsurance, or loss of or substantial changes in applicable reinsurance as provided in the North Carolina statutes;
- h. "your" conviction of a crime arising out of acts that materially affect the insurability of the risk;
- i. a determination by the Commissioner that the continuation of the policy would place "us" in violation of the laws of this state; or
- j. "you" fail to meet the requirements contained in "our" corporate charter, articles of incorporation, or bylaws when "we" are a company organized for the sole purpose of providing members of an organization with insurance coverage in this state.

"We" will give "you" notice at least 15 days before cancellation is effective.

"Your" return premium, if any, will be calculated according to "our" rules. It will be refunded to "you" with the cancellation notice or within a reasonable time. Payment or tender of the unearned premium is not a condition of cancellation.



2. Under the Common Policy Conditions, the following condition is added:

**Nonrenewal** – If "we" decide not to renew this policy, "we" will mail or give "you" written notice of nonrenewal at least 45 days prior to the expiration date or anniversary date of the policy.

The notice of nonrenewal must state the precise reason for nonrenewal. Notice is not required if "you" have insured elsewhere, accepted replacement coverage, or have requested or agreed to nonrenewal.

Notice of nonrenewal will be sent to "you" and to any mortgagee, loss payee, and agent or broker of record at the addresses shown in the policy or, if not indicated in the policy, to the last addresses known to "us".

3. Under the Common Policy Conditions, the following condition is added:

**Renewal** – If "we" intend to renew the policy with premium or coverage changes, "we" will mail or give "you" the renewal "terms" and a statement of the premium due at least 45 days prior to the expiration date or anniversary date of the policy.

Notice of renewal with premium or coverage changes will be sent to "you" and to any mortgagee, loss payee, and agent or broker of record at the addresses shown in the policy or, if not indicated in the policy, to the last addresses known to "us".

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No coverage is provided by this notice, nor does it replace any provision of your policy. If there are any discrepancies between the policy and this notice, the provisions of the policy govern.

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## FLOOD INSURANCE NOTICE

Your policy does not cover buildings and most types of personal property for loss caused by flood, surface water, waves, tidal water, or any other overflow of a body of water. **You will not have coverage for property damage caused by these waters unless you take steps to add flood coverage to this policy for an additional premium charge or purchase a separate policy of flood insurance, at an additional premium, from the National Flood Insurance Program, 42 U.S.C. § 4001, et seq.**

If you would like more information about obtaining flood coverage under this policy or under the National Flood Insurance Program, please contact your agent or this company.

## CERTIFIED TERRORISM LOSS

1. The following definitions are added.
    - a. "Certified act of terrorism" means an act that is certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States:
      - 1) to be an act of terrorism;
      - 2) to be a violent act or an act that is dangerous to human life, property, or infrastructure;
      - 3) to have resulted in damage:
        - a) within the United States; or
        - b) to an air carrier (as defined in section 40102 of title 49, United States Code); to a United States flag vessel (or a vessel based principally in the United States, on which United States income tax is paid and whose insurance coverage is subject to regulation in the United States), regardless of where the loss occurs; or at the premises of any United States mission;
    - 4) to have been committed by an individual or individuals, as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion; and
    - 5) to have resulted in insured losses in excess of five million dollars in the aggregate, attributable to all types of insurance subject to the Terrorism Risk Insurance Act, as amended.
  - b. "Certified terrorism loss" means loss that results from a "certified act of terrorism".
2. The "terms" of any terrorism exclusion that is part of or that is attached to this Coverage Part are amended by the following provision:

This exclusion does not apply to "certified terrorism loss".
  3. The following provision is added.

If the Secretary of the Treasury determines that the aggregate amount of "certified terrorism loss" has exceeded one hundred billion dollars in a Program Year (January 1 through December 31), and "we" have met "our" insurer deductible under the Terrorism Risk Insurance Act, as amended, "we" will not pay for any portion of "certified terrorism loss" that exceeds one hundred billion dollars. If the "certified terrorism loss" exceeds one hundred billion dollars in a Program Year (January 1 through December 31), losses up to one hundred billion dollars are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury under the Terrorism Risk Insurance Act, as amended.
  4. The following provisions are added.
    - a. Neither the "terms" of this endorsement nor the "terms" of any other terrorism endorsement attached to this Coverage Part provide coverage for any loss that would otherwise be excluded by this Coverage Part under:
      - 1) exclusions that address war, military action, or nuclear hazard; or
      - 2) any other exclusion; and
    - b. the absence of any other terrorism endorsement does not imply coverage for any loss that would otherwise be excluded by this Coverage Part under:
      - 1) exclusions that address war, military action, or nuclear hazard; or
      - 2) any other exclusion.

## CERTIFIED TERRORISM LOSS DISCLOSURE OF PREMIUM AND FEDERAL SHARE OF INSURED LOSSES

(The entries required to complete this endorsement will be shown below, on the "declarations", or on the "schedule of coverages".)

### SCHEDULE

Certified Terrorism Loss Premium \$ 0

Additional information, if any, concerning terrorism premium:

1. The portion of "your" premium that is attributed to coverage for "certified terrorism loss" is shown in the Schedule above.
2. Coverage for "certified terrorism loss", to the extent that such coverage is provided by this policy or Coverage Part, will be partially reimbursed by the United States Government, Department of Treasury under a federal program. Under that program, the United States pays 85% of insured losses for "certified terrorism loss" that exceeds the statutorily established deductible that "we" retain. However, if aggregate insured losses attributable to terrorist acts certified under the Terrorism Risk Insurance Act, as amended, exceed one hundred billion dollars in a Program Year (January 1 through December 31), the Treasury will not make payment for any portion of the amount of such losses that exceeds one hundred billion dollars.

If the Secretary of the Treasury determines that the aggregate amount of "certified terrorism loss" has exceeded one hundred billion dollars in a Program Year (January 1 through December 31), and "we" have met "our" insurer deductible under the Terrorism Risk Insurance Act, as amended, "we" will not pay for any portion of "certified terrorism loss" that exceeds one hundred billion dollars. If the "certified terrorism loss" exceeds one hundred billion dollars in a Program Year (January 1 through December 31), losses up to one hundred billion dollars are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury under the Terrorism Risk Insurance Act, as amended.

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## EQUIPMENT BREAKDOWN COVERAGE PART

Coverage provided under this coverage part is also subject to the "terms" and conditions in the Commercial Output Program – Property Coverage Part under the sections titled Agreement, Definitions, Property Not Covered, What Must Be Done In Case Of Loss, Loss Payment, and Other Conditions. Reference to Equipment Breakdown Schedule or schedule in this coverage part means the Equipment Breakdown Schedule or the "schedule of coverages".

### ADDITIONAL DEFINITIONS

Some of the following definitions may not appear elsewhere in this coverage part, but may appear in the Equipment Breakdown Schedule.

1. "Boilers and vessels" means:
  - a. Boilers, including attached steam, condensate, and feedwater piping; and
  - b. Fired or unfired pressure vessels subject to vacuum or internal pressure other than the static pressure of its contents.
2. "Production machinery" means machines or apparatus that process or produce a product intended for eventual sale. This includes all component parts of such machine or apparatus and any other equipment used exclusively with such machine or apparatus.
3. "Suit" means a judicial proceeding that has been set up to determine liability and damages for loss to property of others consisting of covered property that is in "your" care, custody, or control. Judicial proceedings also includes arbitration proceedings that "you" may be required to submit to.

### COVERAGE

**Property Damage** – "We" cover direct physical loss or damage to covered property caused by or resulting from an "accident" to "covered equipment" at "covered locations". When used in this Equipment Breakdown Coverage Part, the term "covered equipment" includes "computers". The term covered property as used in this coverage part means the types of property described under the Property Covered section of the Commercial Output Program – Property Coverage Part as well as the covered property described in the Supplemental and Supplemental Marine Coverages.

### ADDITIONAL PROPERTY NOT COVERED

In addition to the property identified under the Property Not Covered in the Commercial Output Program – Property Coverage Part, the following additional property is not covered:

**Animals** – "We" do not cover animals, including but not limited to:

- a. birds and fish;
- b. animals owned by others and boarded by "you"; and
- c. animals "you" own and hold for sale.

### COVERAGE EXTENSIONS

If indicated on the Equipment Breakdown Schedule, the following additional coverages also apply to direct physical loss or damage to covered property caused by or resulting from an "accident" to "covered equipment" at "covered locations".

The most that "we" will pay for loss arising from any "one accident" is the amount indicated on the schedule for the applicable Coverage Extension. If two or more "limits" apply to the same portion of a loss, "we" will only pay the smaller "limit" for that portion of the loss. Except as otherwise provided, the "limits" for the additional coverages are a part of, and not in addition to, the Property Damage Limit.

## 1. Income Coverages

- a. **Coverage** – If a "limit" is indicated on the Equipment Breakdown Schedule, "we" provide the coverages described below during the "restoration period" when "your" "business" is necessarily wholly or partially interrupted as a result of an "accident" to "covered equipment".

This coverage applies only when the "accident" to "covered equipment" occurs at "covered locations" or in the open (or in vehicles) within 1,000 feet thereof.

If "you" lease, rent, or do not own the building "you" occupy, for the purposes of determining an Income Coverage loss, "your" location is the space that "you" lease, rent, or occupy, including but not limited to:

- 1) all passageways to "your" location within the building; and
- 2) "your" business personal property in the open (or in a vehicle) within 1,000 feet.

- b. **Coverage Options** – Coverage options include:

- 1) Earnings, "rents", and extra expense.
- 2) Earnings and extra expense.
- 3) "Rents" and extra expense.
- 4) Extra expense only

Earnings includes "rents" when option 1. is selected. Earnings means only "rents" when option 3. is selected.

- c. **Earnings** – "We" cover "your" actual loss of net income (net profit or loss before income taxes) that would have been earned or incurred and continuing operating expenses normally incurred by "your" "business", including but not limited to payroll expense. The net sales value of goods that would have been produced is included in net income for manufacturing risks.

- d. **Extra Expense** – "We" cover only the extra expenses that are necessary during the "restoration period" that "you" would not have incurred if there had been no direct physical loss or damage to property caused by or resulting from an "accident" to "covered equipment".

"We" cover any extra expense to avoid or reduce the interruption of "business" and continue operating at a "covered location", replacement location, or a temporary location. This includes expenses to relocate and costs to outfit and operate a replacement or temporary location.

"We" will also cover any extra expense to reduce the interruption of "business" if it is not possible for "you" to continue operating during the "restoration period".

To the extent that they reduce a loss otherwise payable under this Coverage Part, "we" will cover any extra expenses to:

- 1) repair, replace, or restore any property; and
- 2) research, replace, or restore information on damaged "valuable papers" or "data records".

- e. **Period of Loss Extension After Business Resumes** – "We" extend "your" coverage for earnings to cover loss from the date the covered property that incurred the loss is rebuilt, repaired, or replaced until:

- 1) the end of 30 consecutive days (unless otherwise indicated on the schedule); or
- 2) the date "you" could reasonably resume "your" "business" to the conditions that would generate the earnings amount or "rents" that would have existed had no loss or damage occurred, whichever is earlier. This does not increase the "limit".

2. **Expediting Expenses** – "We" pay the reasonable extra costs to expedite permanent repairs or replacement and make temporary repairs to damaged covered property.

3. **Pollutants** – "We" pay for the additional cost to repair or replace covered property because of contamination by "pollutants". This includes the additional expenses to clean up or dispose of such property.

Additional expenses mean those beyond what would have been required had no "pollutants" been involved.

"We" will also pay for additional loss as described under Income Coverages caused by contamination by "pollutants", if this coverage is also indicated on the Equipment Breakdown Schedule.



**4. Spoilage – "We" pay for "your" loss or damage to "perishable stock" due to:**

- a. changes in temperature or humidity resulting from an "accident" to "covered equipment" at a "covered location" including but not limited to the refrigeration system or the equipment or apparatus controlling the refrigeration system.
- b. refrigerant contamination from the release of refrigerant, including but not limited to ammonia, and caused by or resulting from an "accident" to "covered equipment" at a "covered location".
- c. changes in temperature or humidity resulting from:
  - 1) complete or partial lack of electrical power; or
  - 2) fluctuation of electrical currentcaused by or resulting from an "accident" to equipment owned by a utility who provides "you" with electrical power. The equipment must meet the definition of "covered equipment" except that it is not covered property.

When selling price is indicated on the Schedule of Coverages - Commercial Output Program, the value of "perishable stock" will be based on the selling price less all discounts and unincurred expenses. If selling price is not indicated, the valuation of "perishable stock" will be based on the applicable valuation as indicated in the Commercial Output Program - Property Coverage Part.

**5. Ordinance or Law**

- a. **Undamaged Parts of a Building –** When an "accident" to "covered equipment" at a "covered location" occurs, "we" pay for the value of undamaged parts of a covered building or structure that is required to be demolished as a result of the enforcement of any ordinance, law, or decree that:
  - 1) requires the demolition of undamaged parts of a covered building or structure that is damaged or destroyed by an "accident" to "covered equipment";
  - 2) regulates the construction or repair of a building or structure, or establishes building, zoning, or land use requirements at a "covered location"; and
  - 3) is in force at the time of loss.

"We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants".

**b. Increased Cost to Repair and Cost to Demolish and Clear Site**

- 1) **Increased Cost to Repair –** When an "accident" occurs to "covered equipment" at a "covered location", "we" cover the:
  - a) increased cost to repair, rebuild, or reconstruct damaged portions of a covered building or structure; and
  - b) increased cost to repair, rebuild, or reconstruct undamaged portions of a covered building or structure whether or not those undamaged portions need to be demolished;as a result of the enforcement of any building, zoning, or land use ordinance, law, or decree which is in force at the time when the "accident" to "covered equipment" occurs at a "covered location".

If a covered building or structure is repaired or rebuilt, it must be intended for similar occupancy as the current property, unless otherwise required by building, zoning, or land use ordinance, law, or decree.

"We" do not cover the increased cost of construction until the covered building or structure is actually repaired or replaced and unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.
- 2) **Cost to Demolish and Clear Site –** "We" cover the cost to demolish and clear the site of undamaged parts of the covered building or structure that is damaged or destroyed by an "accident" to "covered equipment". The demolition must be a result of the enforcement of a building, zoning, or land use ordinance, law, or decree that is in force at the time when the "accident" occurs to "covered equipment".

- 3) **We Do Not Cover** – "We" do not cover the costs associated with the enforcement of any ordinance, law, or decree that:
- a) requires "you" or anyone else to test for, monitor, clean up, remove, contain, treat, detoxify, or neutralize or in any way respond to or assess the effects of "pollutants"; or
  - b) "you" were required to comply with before the occurrence of an "accident" to "covered equipment" at a "covered location", even if the building or structure was undamaged and "you" failed to comply with the ordinance, law, or decree.
- 4) **What We Pay If The Building Is Repaired or Replaced** – If the covered building or structure is repaired or replaced, "we" pay the lesser of:
- a) the amount "you" actually spend to demolish and clear the site, plus the actual increased cost to repair, rebuild, or construct the property but not for more than a building or structure of the same height, floor area, and style; or
  - b) the "limit" indicated on the Schedule.
- 5) **What We Pay If The Building Is Not Repaired or Replaced** – If the covered building or structure is not repaired or replaced, "we" pay the lesser of:
- a) the amount "you" actually spend to demolish and clear the site, plus the cost "you" would have incurred to replace damaged or destroyed property with other property of like kind, and quality; of the same height, floor area, and style; and used for the same purpose; or
  - b) the "limit" indicated on the schedule.
6. **Off Premises Utility Service Interruption** – "We" extend Income Coverages to loss of earnings or extra expenses that "you" incur during the "restoration period" when "your" "business" is interrupted due to the interruption of an off premises utility service when the interruption is a result of an "accident" to "covered equipment" that is not located at a "covered location" and that is owned by a utility, a landlord, or another supplier who provides "you" with:
- a. power or gas;
  - b. telecommunications, including but not limited to Internet access; or
  - c. water, including but not limited to waste water treatment.
- Waiting Period – Unless otherwise indicated on the Equipment Breakdown Schedule, Off Premises Utility Interruption coverage will not apply unless the failure or disruption of service exceeds 24 hours immediately following the "accident".
7. **Defense Costs** – "We" have the right and duty to defend any "suit" brought against "you" as a result of damage to property of others that is in "your" care, custody, or control and is caused by an "accident" to "covered equipment". "We" may investigate and settle a claim or "suit". "We" do not have to provide a defense after "we" have paid the "limit" as a result of a judgment or written settlement.
- "You" must not admit liability for a loss, settle a claim, or incur expense without "our" written consent. "You" must not interfere with "our" negotiation for a settlement. "We" will pay the following additional expenses associated with any "suit" "we" defend:
- a. Expenses which "we" incur while investigating and defending the "suit".
  - b. Actual loss of "your" salary, up to \$250 per day, for "your" time spent away from work at "our" request.
  - c. Expenses that "you" incur at "our" request.
  - d. All costs that "you" are required to pay as a result of any "suit" "we" defend.
  - e. Interest that accrues after entry of a judgment, until "we" tender, deposit in court, or pay "our" part of the judgment.
  - f. Interest that is awarded against "you" before the entry of a judgment. If "we" make an offer to settle the "suit", "we" will not pay any interest that accrues after the offer to settle.
  - g. Cost of a bond for the release of attachments. "We" are not required to furnish a bond itself.

This Coverage Extension will not reduce the available Property Damage Limit and does not have to be indicated on the schedule.

#### PERILS COVERED

"We" cover risks of direct physical loss caused by or resulting from an "accident" to "covered equipment" unless the loss is limited or caused by a peril that is excluded.



## PERILS EXCLUDED

1. "We" do not pay for loss or damage caused directly or indirectly by one or more of the following excluded causes or events. Such loss or damage is excluded regardless of other causes or events that contribute to or aggravate the loss, whether such causes or events act to produce the loss before, at the same time as, or after the excluded causes or events.
  - a. **Ordinance or Law** – Except as provided under Coverages Extensions - Ordinance or Law, "we" do not pay for loss or increased cost caused by enforcement of any code, ordinance, or law regulating the use, construction, or repair of any building or structure; or requiring the demolition of any building or structure including the cost of removing its debris.
  - b. **Earth Movement or Volcanic Eruption** – "We" do not pay for loss caused by any earth movement or caused by eruption, explosion, or effusion of a volcano. Earth movement includes, but is not limited to: earthquake; landslide; mudflow; mudslide; mine subsidence; or sinking, rising, shifting of earth, or "sinkhole collapse".
  - c. **Civil Authority** – "We" do not pay for loss caused by order of any civil authority, including seizure, confiscation, destruction, or quarantine of property.
  - d. **Nuclear Hazard** – "We" do not pay for loss caused by or resulting from a nuclear reaction, nuclear radiation, or radioactive contamination (whether controlled or uncontrolled; whether caused by natural, accidental, or artificial means).
  - e. **War and Military Action** – "We" do not pay for loss caused by:
    - 1) war, including undeclared war or civil war; or
    - 2) a warlike action by a military force, including action taken to prevent or defend against an actual or expected attack, by any government, sovereign, or other authority using military personnel or other agents; or
    - 3) insurrection, rebellion, revolution, or unlawful seizure of power including action taken by governmental authority to prevent or defend against any of these.With regard to any action that comes within the "terms" of this exclusion and involves nuclear reaction, nuclear radiation, or radioactive contamination, this War and Military Action Exclusion will apply in place of the Nuclear Hazard Exclusion.
  - f. **Water** – "We" do not pay for loss caused by water. This means:
    - 1) "flood";
    - 2) water that backs up through a sewer or drain; and
    - 3) water below the surface of the ground. This includes water that exerts pressure on or flows, seeps, or leaks through or into a building or structure, sidewalk, driveway, foundation, swimming pool, or other structure.However, if electrical "covered equipment" requires drying out as a result of the above described peril, "we" pay for the direct expenses for drying out the electrical "covered equipment".
2. "We" do not pay for loss or damage that is caused by or results from one or more of the following excluded causes or events:
  - a. **Wear, Tear, Deterioration, and Corrosion** – "We" do not pay for loss caused by wear and tear, marring, scratching, deterioration, erosion, or corrosion.  
"We" do pay for any resulting loss caused by an "accident".
  - b. **Animals** – "We" do not pay for loss caused by animals, including birds, insects, or vermin. "We" do pay for any resulting loss caused by an "accident".
  - c. **Windstorm and Hail** – "We" do not pay for loss caused by windstorm or hail.
  - d. **Fire and Combustion Explosion** – "We" do not pay for loss caused by fire or combustion explosion whether or not caused by or resulting from an "accident".
  - e. **Discharge of Water** – "We" do not pay for loss caused by the discharge of water or other extinguishing agent to fight a fire.
  - f. **Breakage of Glass, Freezing, Collapse, and Molten Material** – "We" do not pay for loss caused by breakage of glass, weather related freezing, collapse, or molten materials.
  - g. **Specified Perils** – "We" do not pay for loss caused by "specified perils". However, this exclusion does not apply to explosion of steam boilers, steam pipes, steam turbines, or steam engines.

- h. **Tests** – "We" do not pay for loss or damage caused by any of the following tests: a hydrostatic, pneumatic or gas pressure test of any boiler or pressure vessel; or an insulation breakdown test of any type of electrical equipment.
  - i. "We" will not pay for loss, damage or expense caused by or resulting from any defect, programming error, programming limitation, computer virus, malicious code, loss of data, loss of access, loss of use, loss of functionality or other condition within or involving "media" or "data records" of any kind unless:
    - a. caused by an "accident", or
    - b. if an "accident" results, we will pay for the resulting loss, damage or expense.
  - j. **Neglect** - "We" do not pay for loss caused by "your" neglect to use all reasonable means to save covered property at and after the time of loss. "We" do not pay for loss caused by "your" neglect to use all reasonable means to save and preserve "covered property" when endangered by a covered peril.
3. "We" do not pay for "your" loss of earnings or extra expenses that "you" incur if one or more of the following excluded causes or events apply.
- a. **Leases, Licenses, Contracts, or Orders** – "We" do not pay for any increase in loss of earnings or extra expenses due to the suspension, lapse, or cancellation of leases, licenses, contracts, or orders. However, "we" do cover loss during the "restoration period" if the suspension, lapse, or cancellation results directly from the interruption of "your" "business".  
 "We" do not cover any loss of earnings or extra expense beyond the "restoration period" caused by the suspension, lapse, or cancellation of leases, licenses, contracts, or orders.
  - b. **Due Diligence to Resume Your Business** – "We" do not pay for any increase in loss of earnings or extra expenses due to "your" failure to use due diligence and dispatch and all reasonable means to resume "your" "business".

## VALUATION

- 1. **Covered Property** – Unless otherwise indicated on the Equipment Breakdown Schedule, the value of covered property will be determined in accordance with:
  - a. replacement cost provisions; and
  - b. items 3. through 9;
 As described in the Valuation section of the Commercial Output Program – Property Coverage Part and is subject to the provisions described below for Environmental, Safety, and Efficiency Improvements and Equipment Utilizing CFC Refrigerants.
- 2. **Environmental, Safety, and Efficiency Improvements** – If "covered equipment" requires replacement due to an "accident", "we" will pay your additional cost to replace with equipment that "we" agree is better for the environment, safer for people, or more energy efficient than the equipment being replaced, subject to the following conditions:
  - a. "we" will not pay more than 125% of what the cost would have been to replace with like kind and quality;
  - b. "we" will not pay to increase the size or capacity of the equipment;
  - c. this provision only applies to Property Damage coverage;
  - d. this provision does not increase any of the applicable limits;
  - e. this provision does not apply to any property valued on an Actual Cash Value basis; and
  - f. this provision does not apply to the replacement of component parts.
- 3. **Equipment Utilizing CFC Refrigerants** – Air conditioning or refrigeration equipment that utilizes a refrigerant containing CFC (chlorofluorocarbon) substances will be valued at the cost to do the least expensive of the following:
  - a. repair or replace the damaged property and replace any lost CFC refrigerant;
  - b. repair the damaged property, retrofit the system to accept a non-CFC refrigerant, and charge the system with a non-CFC refrigerant; or

- c. replace the system with one using a non-CFC refrigerant.

In determining the least expensive option, "we" will include any associated Income or Extra Expense loss. If option b. or c. is more expensive than a., but you wish to retrofit or replace anyway, "we" will consider this better for the environment and therefore eligible for valuation under paragraph 2., Environmental, Safety, and Efficiency Improvements. In such case, a. of that section is amended to read: "We" will not pay more than 125% of what the cost would have been to repair or replace with like kind and quality.

## HOW MUCH WE PAY

1. **Insurable Interest** — "We" do not cover more than "your" insurable interest in any property.
2. **Deductible** — If deductibles vary by type of "covered equipment" and more than one type of equipment is involved in any "one accident", the highest deductible will apply. Unless the Equipment Breakdown Schedule indicates that a single deductible applies to all Equipment Breakdown coverages, multiple deductibles may apply to any "one accident".
  - a. **Property and Income Coverages** — Unless otherwise indicated on the Equipment Breakdown Schedule, the Property Coverage Deductible applies to all loss covered by this coverage part, with the exception of those coverages subject to the Income Coverage Deductible as described below.

Unless more specifically indicated on the Equipment Breakdown Schedule, the Income Coverage Deductible applies to

    - 1) earnings, "rents", and extra expense; and
    - 2) service interruption.
  - b. **Application of Deductibles**
    - 1) **Dollar Deductibles** — "We" will not pay for loss resulting from any "one accident" until the amount of loss exceeds the applicable deductible indicated on the Equipment Breakdown Schedule. "We" will then pay the amount of loss in excess of the applicable deductible or deductibles, subject to the applicable "limit" indicated on the schedule.
    - 2) **Multiple of Average Daily Value Deductibles** — If a deductible is expressed as a number times Average Daily Value (ADV), the deductible will be calculated as follows:

The ADV will be the operating expenses that would have been normally earned or incurred during the "restoration period" by "your" "business" had no "accident" occurred divided by the number of working days in that period. Operating expenses includes net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses.

No reduction will be made:

      - a) for operating expenses not being earned;
      - b) in the number of working days because of the "accident"; or
      - c) for any other scheduled or unscheduled shutdowns during the "restoration period".

The ADV applies to all "covered locations" included in the valuation of the loss. The number indicated on the Equipment Breakdown Schedule will be multiplied by the ADV as determined above. The result will be used as the applicable deductible.
  - 3) **Time Deductibles** — If a time deductible is indicated on the Equipment Breakdown Schedule, "we" will not be liable for any loss occurring during the specified number of hours or days immediately following the "accident". If a time deductible is expressed in days, each consecutive day will mean twenty-four consecutive hours.
  - 4) **Percentage of Loss Deductibles** — If a deductible is expressed as a percentage of loss, "we" will not be liable for the indicated percentage of the gross amount of loss (prior to any applicable deductible or coinsurance) insured under the applicable coverage. If the dollar amount of such percentage is less than the indicated minimum deductible, the minimum deductible will be the applicable deductible.
3. **Loss Settlement Terms** — Subject to paragraphs 1., 2., 4., 5., and 6. under How Much We Pay, "we" pay the lesser of:
  - a. the amount determined under Valuation;

- b. the cost to repair, replace, or rebuild the property with material of like kind and quality to the extent practicable subject to the Valuation provisions under:
    - 1) Environmental, Safety and Efficiency Improvements; and
    - 2) Equipment Utilizing CFC Refrigerants; or
  - c. the "limit" that applies to covered property.
4. **Coinurance** – If indicated on the Equipment Breakdown Schedule, specified coverages may be subject to coinurance.
- a. **Property Damage** – "We" will not pay for the full amount of "your" loss if the applicable "limit" is less than the product of the specified coinurance percentage times the value of the property subject to the coverage at the time of the loss. Instead, "we" will determine what percentage this calculated product is compared to the applicable "limit" and apply that percentage to the loss after application of the Deductible. The resulting amount or the applicable "limit" is the most "we" will pay. "We" will not pay for the remainder of the loss.
  - b. **Income Coverage** – "We" pay only a part of the loss if the "limit" is less than the coinurance percentage multiplied by the sum of "your" net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy (whichever is later), normally earned by "your" "business". "Our" part of the loss is determined using the following steps:
    - 1) multiply the coinurance percentage by the sum of "your" net income (net profit or loss before income taxes), payroll expense, interest, and other continuing operating expenses projected for the 12 months following the inception, or last previous anniversary date of this policy;
    - 2) divide the "limit" by the figure determined in 1. above;
    - 3) multiply the total amount of loss by the figure determined in 2) above."We" pay the amount determined in 3) above or the "limit", whichever is less. "We" do not pay any remaining part of the loss.  
Coinurance does not apply to coverage for extra expense.
5. **Insurance Under More Than One Coverage** – If more than one coverage of this policy insures the same loss, "we" pay no more than the actual claim, loss, or damage sustained.
6. **Insurance Under More Than One Policy** – "You" may have another policy subject to the same plan, "terms", conditions, and provisions as this policy. If "you" do, "we" will pay "our" share of the covered loss. "Our" share is the proportion that the applicable "limit" under this policy bears to the "limit" of all policies covering on the same basis.
- If there is another policy covering the same loss, other than that described above, "we" will pay only for the amount of covered loss in excess of the amount due from that other policy, whether "you" can collect on it or not. But "we" will not pay more than the applicable "limit".

#### ADDITIONAL CONDITIONS

- 1. **Suspension** – When any "covered equipment" is discovered to be in, or exposed to a dangerous situation or condition, any representative of "ours" may immediately suspend the insurance coverage against loss from an "accident" to that equipment. The suspension will not apply to any other covered peril under any other coverage part.  
"We" can do this by mailing or delivering a written notice of suspension to "your" address as shown in the declarations, or at the address where the "covered equipment" is located. Once so suspended, "your" insurance can be reinstated only by written notice from "us". If "your" insurance is so suspended, "you" will get a pro rata premium refund. But the suspension is effective even if "we" have not yet offered or made a refund.
- 2. **Jurisdictional Inspections** – If any property that is "covered equipment" under the Equipment Breakdown Coverage requires inspection to comply with state or municipal boiler and pressure vessel regulations, "we" agree to perform such inspection on "your" behalf.



This endorsement modifies insurance provided under the following:

COMMERCIAL OUTPUT PROGRAM – PROPERTY COVERAGE CO 1000  
COMMERCIAL OUTPUT PROGRAM – INCOME COVERAGE CO 1001

COP-7113  
(Ed. 3-06)

## COMMERCIAL OUTPUT PROPERTY ENDORSEMENT

### Schedule

Limit of Insurance	Coverage Description*
\$	Refrigerant Contamination
\$	Power Disruption
Yes <input type="checkbox"/> No <input type="checkbox"/>	Selling Price

(\*Non-equipment breakdown perils only)

Coverage provided under this coverage part is also subject to the "terms" and conditions in the Commercial Output Program - Property Coverage Part under the sections titled Agreement, Definitions, Property not Covered, Perils Excluded, What Must be Done in Case of Loss, How Much We Pay, Loss Payment, and Other Conditions.

The terms and conditions of your policy are amended as indicated below.

### A. SPOILAGE COVERAGE

"We" cover direct physical loss of or damage to "perishable stock" due to "spoilage" caused by a covered peril described below and while at a "covered location".

#### COVERED PERILS

"We" cover risks of direct physical loss caused by the following perils unless the loss is caused by a peril that is excluded.

- 1. Refrigerant Contamination** – "We" cover loss of "perishable stock" due to refrigerant contamination from the release of refrigerant, including but not limited to ammonia.  
However, "we" do not cover loss of "perishable stock" due to refrigerant contamination from the release of refrigerant, including but not limited to ammonia, which is caused by or resulting from an "accident" to "covered equipment". For purposes of this endorsement, the term "covered equipment" includes "computers".
- 2. Power Disruption** – "We" cover changes in temperature or humidity resulting from:
  - a. complete or partial lack of electrical power; or
  - b. fluctuation of electrical currentdue to conditions beyond "your" control, except we do not cover loss caused by or resulting from an "accident" to equipment owned by a utility who provides "you" with electrical power. The equipment must meet the definition of "covered equipment" except that it is not covered property. For purposes of this endorsement, the term "covered equipment" includes "computers".

#### LIMIT OF INSURANCE

The most we will pay under this endorsement for all loss to "perishable stock" resulting from one occurrence is \$25,000, unless a different limit of insurance is selected in the above Schedule.

## COVERAGE EXTENSION

When the Commercial Output Program – Income Coverage Part is made a part of this policy, "we" also pay loss of earnings and/or the necessary extra expenses that "you" incur caused by a peril described above under Covered Perils up to the Limit of Insurance set forth above for loss to "perishable stock". The Limit of Insurance for this Coverage Extension is included within and not in addition to the Limit of Insurance set forth above for loss to "perishable stock".

## PERILS EXCLUDED

The following additional perils are added to the Perils Excluded section of the Commercial Output Program Property and Income Coverage Parts.

"We" do not pay for loss or damage that is caused by or results from one or more of the following excluded causes or events:

- a. **Disconnection or Deactivation** – "We" do not pay for loss caused by the disconnection of the refrigeration system from the source of power, or the deactivation of electrical power caused by turning off a switch or other device used to control the electrical current or power.
- b. **Glass Breakage** – "We" do not pay for loss caused by the breakage of any glass that is a permanent part of the refrigeration system.
- c. **Inability to Provide Sufficient Power** – "We" do not pay for loss caused by:
  - 1) the inability of an electrical utility company or other power source to provide sufficient power due to governmental order or lack of fuel; or
  - 2) the lack of generating capacity at the described "covered location" to meet demand.
- d. For purpose of this endorsement only, Perils Excluded item 2.s. Wear and Tear is deleted and replaced with the following:

**Wear and Tear**– "We" do not pay for loss caused by wear and tear, marring, or scratching. "We" do cover any resulting loss caused by:

  - 1) a "specified peril"; or
  - 2) breakage of building glass.

## SPOILAGE VALUATION

When selling price is indicated in the above Schedule, the value of "perishable stock" will be based on the selling price less all discounts and unincurred expenses. If selling price is not indicated, the valuation of "perishable stock" will be based on the applicable valuation as indicated in the Commercial Output Program – Property Coverage Part.

## B. NEWLY ACQUIRED BUILDING AND BUSINESS PERSONAL PROPERTY COVERAGE

The following is added to the Commercial Output Program Property Coverage Part, Supplemental Coverages:

### 14. NEWLY ACQUIRED BUILDING AND BUSINESS PERSONAL PROPERTY

"We" cover direct physical loss to "your" buildings or structures:

- a. being built at "covered locations" or while being built at other than "covered locations"; or
- b. that "you" acquire during the policy period,

and the Business Personal Property located within such buildings or structures or within 1000 feet of such buildings or structures.

This coverage applies for 120 days from the date "you" newly acquire or begin to construct the building or structure or until "you" report the newly acquired location to "us", whichever occurs first. This coverage does not go beyond the end of the policy period.

"You" must pay additional premium due from the earlier of the date construction is started or the date "you" newly acquire the location.

The most we will pay under this Supplemental Coverage for all loss to all buildings and structures including loss to Business Personal Property (excluding stock) while located at a building or structure that you begin to build during the policy period or at locations "you" newly acquire during the policy period is the total sum of \$1,000,000 per location in any one occurrence.

**15. Newly Built or Acquired Locations - Income Coverage** -- If the Commercial Output Program - Income Coverage Part is attached to this policy, "we" extend "your" coverage for earnings and extra expense to include direct physical loss to "your" covered property while at any location being built or at locations that "you" acquire during the policy period, to which the newly acquired Building and Business Personal Property coverage provided by this endorsement applies.

If a loss occurs at a location being built and the loss delays the start of "your" "business", the "restoration period" starts from the time "your" "business" would have begun had no loss occurred.

This coverage applies for 120 days from the date the location is newly acquired or construction begins or until "you" report the newly acquired location to "us", whichever occurs first. This coverage does not go beyond the end of the policy period.

"You" must pay any additional premium due from the earlier of the date construction is started or the date "you" newly acquire the location.

The most "we" pay in any one occurrence for loss of earnings and incurred extra expense at each location to which this Supplemental Coverage applies is \$250,000.

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## SCHEDULE OF COVERAGES COMMERCIAL OUTPUT PROGRAM

(The entries required to complete this endorsement  
will be shown below or on the "schedule of coverages".)

Limit of Insurance

**Catastrophe Limit** -- The most "we" pay for  
any combination of or total of losses arising under  
one or more coverages in any one occurrence is:

\$ \_\_\_\_\_

### PROPERTY COVERAGE PART

#### LIMITS

-- Building Property Limit -- The most  
"we" pay for loss at any one "covered location" is:

\$ 11,740,000

-- Business Personal Property Limit -- The most  
"we" pay for loss at any one "covered location" is:

\$ 1,500,000

☐ Refer To Scheduled Locations

#### COVERAGE EXTENSIONS

-- Consequential Loss	\$ Subj to Appl Lmt
-- Debris Removal, Additional Expense	\$ 50,000
-- Emergency Removal	365 days
-- Emergency Removal Expense	\$ 5,000
-- Fraud and Deceit	\$ 5,000
-- Damage From Theft	\$ Subj to Appl Lmt
-- Off Premises Utility Service Interruption	
- Limit	\$ 50,000

☐ Overhead Transmission Lines Excluded

#### SUPPLEMENTAL COVERAGES

-- Newly Built or Acquired Buildings and Business Personal Property (excluding stock)	\$ 1,000,000
-- Brands or Labels Expense	\$ 50,000
-- Expediting Expenses	\$ 50,000
-- Fire Department Service Charges	\$ 25,000
-- Inventory and Appraisal Expense	\$ 50,000



- Ordinance or Law (Undamaged Parts a Building)	\$ Subj to Appl Lmt
- Ordinance or Law (Increased Cost to Repair/ Cost to Demolish and Clear Site)	\$ 100,000
- Personal Effects	\$ 15,000
- Pollutant Cleanup And Removal	\$ 50,000
- Recharge of Fire Extinguishing Equipment	\$ 50,000
- Rewards	\$ 10,000
- Sewer Backup and Water Below the Surface	\$ 25,000
- Trees, Shrubs, and Plants	\$ 50,000
- Underground Pipes, Pillings, Bridges, and Roadways	\$ 250,000

#### SUPPLEMENTAL MARINE COVERAGES

- Accounts Receivable	\$ 50,000
- Electrical or Magnetic Disturbance of Computers	\$ 25,000
- Power Supply Disturbance of Computers	\$ 25,000
- Virus and Hacking Coverage	
- Limit any one occurrence	\$ 25,000
- Limit any 12 month period	\$ 50,000
- Fine Arts	\$ 100,000
- Off Premises Computers	\$ 25,000
- Property On Exhibition	\$ 50,000
- Property In Transit	\$ 50,000
- Sales Representative Samples	\$ 50,000
- Software Storage	\$ 50,000
- Valuable Papers	\$ 100,000

#### ADDITIONAL PROPERTY SUBJECT TO LIMITATIONS

- Furs (theft)	\$10,000
- Jewelry (theft)	\$10,000
- Stamps, Tickets, Letters of Credit	\$5,000

#### COVERAGE OPTIONS (check if applicable)

- ☐ Actual Cash Value Applies
- ☐ Automatic Increase
- Automatic Increase \_\_\_\_\_ %
- ☐ Scheduled Locations
- Locations "You" Elect Not To Describe \$ \_\_\_\_\_ %
- Coinsurance \_\_\_\_\_ %

## DEDUCTIBLE

Check One

- ☒ Deductible Amount \$ 10,000
- ☐ Refer to Deductible Endorsements

## INCOME COVERAGE PART

COVERAGE (check one)

- ☐ Income Coverage Does Not Apply
- ☒ Earnings, Rents, and Extra Expense
- ☐ Earnings and Extra Expense
- ☐ Rents and Extra Expense
- ☐ Extra Expense Only

LIMIT (check one)

- ☒ Income Coverage Limit -- The most "we" pay for loss at any one "covered location" is: \$ 3,000,000
- ☐ Refer To Scheduled Locations (check if applicable)

## COVERAGE EXTENSIONS

- Interruption By Civil Authority 30 days
- Period of Loss Extension \_\_\_\_\_ days

## SUPPLEMENTAL COVERAGES

- Newly Built or Acquired Locations -- Income Coverage \$ 250,000
- Computer Virus and Hacking
- Limit any one occurrence \$ 25,000
  - Limit any 12 month period \$ 75,000
  - Waiting Period 12 hours
- Dependent Locations \$ 100,000
- Off Premises Utility Service Interruption
  - Limit \$ 10,000
  - Waiting Period 12 hours

- ☐ Overhead Transmission Lines Excluded

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## INCOME COVERAGE PART (cont.)

### SUPPLEMENTAL COVERAGES (cont.)

- Contract Penalty
  - Limit any one occurrence \$ 25,000
  - Limit any 12 month period \$ 100,000
- Pollutants Cleanup and Removal \$ 25,000
- Property In Transit, On Exhibition, or Custody of Sales Representatives \$ 10,000

### COVERAGE OPTIONS (check if applicable)

- ☐ Scheduled Locations
  - Coinsurance \_\_\_\_\_ %
- ☒ Waiting Period 72 hours
- ☐ Monthly Limitation \_\_\_\_\_

## FLOOD COVERAGE

- ☒ Not Covered
- ☐ Scheduled Flood Coverage
  - "Catastrophe Limit" \$ \_\_\_\_\_
  - Flood Deductible (\$,% ) \_\_\_\_\_
- ☐ Blanket Flood Coverage
  - "Occurrence Limit" \$ \_\_\_\_\_
  - "Aggregate Limit" \$ \_\_\_\_\_
  - "Catastrophe Limit" \$ \_\_\_\_\_
  - Flood Deductible (\$,% ) \_\_\_\_\_

## EARTHQUAKE COVERAGE

- ☒ Not Covered
- ☐ Scheduled Earthquake Coverage
  - "Catastrophe Limit" \$ \_\_\_\_\_
  - Earthquake Deductible (\$,% ) \_\_\_\_\_
- ☐ Blanket Earthquake Coverage
  - "Occurrence Limit" \$ \_\_\_\_\_
  - "Aggregate Limit" \$ \_\_\_\_\_
  - "Catastrophe Limit" \$ \_\_\_\_\_
  - Earthquake Deductible (\$,% ) \_\_\_\_\_

## EQUIPMENT BREAKDOWN COVERAGE PART

☐ Not Covered

☒ EQUIPMENT BREAKDOWN COVERAGE

	LIMITS	COINSURANCE
Property Damage	\$ 13,240,000	_____ %
Income Coverages	\$ 3,000,000	_____ %
Income Coverages		
Period of Loss Extension	_____ days	

Coverage Options (check one)

☒ Earnings, Rents, and Extra Expense

☐ Earnings and Extra Expense

☐ Rents and Extra Expense

☐ Extra Expense Only

### COVERAGE EXTENSIONS/SUPPLEMENTAL COVERAGES

	Limit
-- Expediting Expense	\$ _____
-- Pollutants	\$ _____
-- Spoilage	\$ _____
-- Ordinance or Law (Undamaged Parts of Buildings)	\$ _____
-- Ordinance or Law (Increased Cost to Repair / Cost to Demolish and Clear Site)	\$ _____
-- Off Premises Utility Service Interruption	\$ _____
-- Defense Costs	covered

### DEDUCTIBLES

Property Coverages	\$ 10,000
Income Coverages (\$, hrs., ADV, or Combined)	10,000
Spoilage (\$, %, or Combined)	_____
Other (describe)	_____

Additional Condition (check if applicable)

☐ Selling Price Valuation

**INCOME COVERAGE OPTIONS (describe)**

**OTHER CONDITIONS (describe)**

**CRIME COVERAGE PART**

**LIMITS (check if coverage is applicable)**

☒ **Employee Fraud and Dishonesty Coverage Limit --**  
The most "we" pay for loss in anyone occurrence is: \$ 25,000  
Deductible Amount: \$ 1,000

☒ **Money and Securities Coverage Limit - The most**  
"we" pay for loss in any one occurrence at "covered  
locations" is: \$ 25,000  
Limit - The most "we" pay for loss in any one  
occurrence away from "covered locations" is: \$ 25,000  
Deductible Amount: \$ 1,000

**LOCATION COVERAGE**

Blanket Location Coverage -- Coverage(s) indicated above under Limits applies to all "covered locations".

**COVERAGE EXTENSIONS**

**LIMIT**

Employee Fraud and Dishonesty -- Outside  
the Coverage Territory \$ \_\_\_\_\_  
days  
Money and Securities -- Conveyance by Armored Vehicle \$ \_\_\_\_\_

**SUPPLEMENTAL COVERAGE**

**LIMIT**

Inventory and Proof of Loss Expense: \$ \_\_\_\_\_  
Loss Sustained Prior To The Policy Period: covered

**OPTIONAL COVERAGES AND ENDORSEMENTS**

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This endorsement modifies insurance provided by the following:

**COMMERCIAL OUTPUT PROGRAM PROPERTY COVERAGE PART**

**COP-7119  
(Ed. 2-05)**

**COMMERCIAL OUTPUT AMENDATORY ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

- A. The **SUPPLEMENTAL MARINE COVERAGES** section of the **COMMERCIAL OUTPUT PROGRAM PROPERTY COVERAGE PART** is amended as follows:

Supplemental Marine Coverage 2. **Electrical or Magnetic Disturbance of Computers** and Supplemental Marine Coverage 3. **Power Supply Disturbance of Computers** are amended by the addition of the following to each said coverage part:

In the event the **Equipment Breakdown Coverage Part** is attached to your policy and coverage for any loss or portion thereof is provided by both this coverage part and the **Equipment Breakdown Coverage Part**, the coverage provided by the **Equipment Breakdown Coverage Part** will apply in place of this coverage part.

- B. The **PERILS EXCLUDED** section of the **COMMERCIAL OUTPUT PROGRAM PROPERTY COVERAGE PART** is amended as follows:

2. **Exclusion g. Electrical Currents** is deleted and replaced in its entirety with the following:

- g. **Electrical Currents** -- "We" do not pay for loss caused by arcing or by electrical currents other than lightning. But if arcing or electrical currents other than lightning result in fire, "we" cover the loss or damage caused by that fire.

"We" do cover the direct loss by a covered peril which occurs at "covered locations" as a result of any power interruption or other utility services.

**Exclusion k. Mechanical Breakdown** is deleted and replaced in its entirety with the following:

- k. **Mechanical Breakdown** -- "We" do not pay for loss caused by mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force. But if a mechanical breakdown or rupturing or bursting of moving parts of machinery caused by centrifugal force results in a "specified peril", the breakage of building glass, or an elevator collision, "we" cover the loss or damage caused by that "specified peril", breakage of building glass, or elevator collision.